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25 March 1960

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CENTRAL

INTELLIGENCE

BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

25 March 1960

DAILY BRIEF

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I. THE COMMUNIST BLOC

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*Communist China - Nepal: The text of the Sino-Nepalese economic aid agreement signed in Peiping on 21 March and released to the press on 25 March indicates a substantial effort to expand Chinese influence in the Himalayan kingdom. The Chinese have granted Nepal \$21,000,000 in additional aid; will send technicians to help implement the program; and will open an embassy in Katmandu. The Chinese also signed an agreement accepting Nepal's request that the "traditional" boundary be used as a basis for final border demarcation. The establishment of a joint boundary commission undoubtedly will be cited as a precedent by Chou En-lai in his April border talks with Nehru.

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II. ASIA-AFRICA

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OK Indonesia - Communist China: In a revival of the bitter exchanges between Djakarta and Peiping last fall over the Chinese in Indonesia, a Djakarta daily which frequently reflects government policy has vehemently attacked Peiping radio for criticizing Indonesia's handling of Overseas Chinese repatriates. The paper labeled recent Peiping radio attacks "an open insult" and "a big lie." Djakarta apparently is using this means to answer the 15 March letter from the Chinese foreign minister which accused the Indonesians of persecuting Overseas Chinese and obstructing their repatriation.

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OK Cambodia - South Vietnam: The recent trend toward improved relations between Phnom Penh and Saigon appears to have received a setback as the result of a formal Vietnamese demand on 9 March that Cambodia renounce its sovereignty over several disputed islands in the Gulf of Siam. Prime Minister Sihanouk denounced the Vietnamese claim and declared that his country would defend itself against invasion and would "not lack friends whose higher interest is to help us."

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DAILY BRIEF

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**IV. SIGNIFICANT INTELLIGENCE
REPORTS AND ESTIMATES**

(Available during the preceding week)

Communist Influence in Cuba. SNIE 85-60. 22 Mar 1960.

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Outlook in West Germany. NIE 23-60. 22 Mar 1960.

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**Soviet Attitude and Tactics on the Berlin Problem. SNIE
100-5-60. 22 Mar 1960.**

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DAILY BRIEF

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Sino-Nepalese Economic and Border Agreement is
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The text of the Sino-Nepalese economic aid agreement signed by the prime ministers of the two countries in Peiping on 21 March and released to the press on 25 March indicates a substantial effort to expand Chinese influence in the Himalayan border kingdom. Peiping will give Katmandu an additional \$21,000,000 in economic aid during the next three years, bringing total Chinese grant aid since 1956 to \$33,600,000. Chinese Communist "experts and technicians" will be sent to Nepal to help implement the aid program, and Nepalese will receive technical training in China. Peiping, which for at least a year has been seeking permission to open an embassy in Katmandu, now has Prime Minister Koirala's agreement. The Nepalese will establish an embassy in Peiping.

Katmandu probably gave its approval for a resident embassy and the entry of Chinese construction technicians in return for the increased financial aid. Nepalese officials have been wary of any influx of bloc experts, however, and probably will limit the admission of Chinese technicians to the minimum necessary to carry out the projects involved.

The Chinese Communists also signed an agreement on 21 March accepting Nepal's request that the "traditional" boundary be used as a basis for final border demarcation. A joint boundary commission will set out boundary markers and work out exact border alignment in those areas where boundary lines shown on Chinese and Nepalese maps do not coincide. In those areas, "actual jurisdiction" over the ground will determine which side gets the territory or, if there is disagreement as to who currently has jurisdiction, the matter will be settled on "the principles of mutual benefit and friendship." These clauses leave Peiping room to prolong final demarcation, yet acknowledge the Chinese position that jurisdiction is a significant factor in determining ownership. The Chinese have repeatedly advanced this contention to the Indians, and when Chou visits Nehru for border talks in April he undoubtedly will cite the border commission and jurisdiction aspects of the agreement with Nepal as a suitable precedent for future agreement with India.

Koirala's main objective had been to secure Peiping's recognition of the customary boundary following the Himalayan watershed in order to forestall any border incidents and possible entanglement in the Sino-Indian dispute. He probably feels that the border and aid agreements consolidate Nepal's neutral position and balance its relations with the major powers in such a way as to gain maximum benefit from each.

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Indonesia Threatens Further Obstruction of Overseas Chinese Repatriation

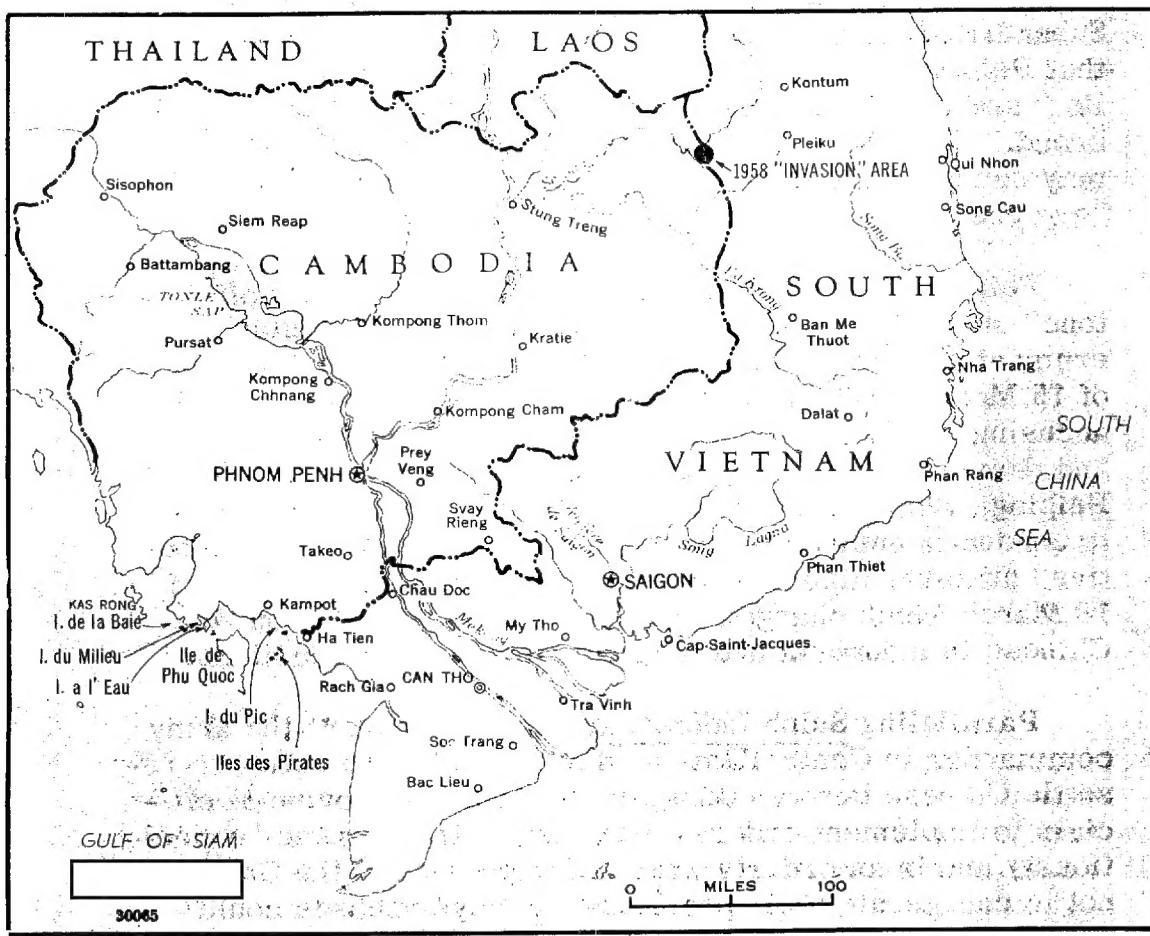
In an apparent revival of bitter Sino-Indonesian exchanges, a Djakarta daily--Suluh Indonesia, which frequently reflects government policy--on 24 March vehemently attacked Radio Peiping for alleging that Djakarta obstructs the repatriation of Overseas Chinese and that Indonesian Foreign Minister Subandrio does not keep his promises. The paper charged that Peiping radio propaganda was "an open insult," "a big lie," and was "aimed at undermining Indonesia's prestige abroad." The daily concluded that "such base propaganda" may cause "unnecessary delays and obstructions that could have been avoided."

Peiping's news agency has noted the "seemingly official tone" of the Suluh Indonesia editorial. The Indonesian Government apparently is using this means to answer the letter of 15 March to Subandrio from the Chinese foreign minister accusing the Indonesians of persecuting Overseas Chinese and demanding a speedy agreement on repatriation. Radio Peiping, which carried the letter and which has continued to conduct a querulous campaign on Indonesia's "uncooperative" attitude, also broadcast a People's Daily editorial of 18 March which charged that the "wanton persecution" of Chinese in Indonesia had reached "ferocious proportions."

Paralleling Suluh Indonesia's blast, however, the army commander in Central Java--where most of the action to resettle Chinese is now taking place--ordered provincial officials to implement orders pertaining to the Chinese "expeditiously and in an orderly way." He appealed to the Chinese not to exaggerate their problems, as any excesses could create tension between Indonesia and friendly countries.

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Cambodian - South Vietnamese Relations Strained by
Territorial Claims

The recent trend toward improved relations between Cambodia and South Vietnam threatens to be reversed by Saigon's renewed claim to several small offshore islands in the Gulf of Siam presently under Cambodian control. Phnom Penh has reacted strongly to a note of 9 March demanding that Cambodia renounce its rights of sovereignty over Ile de la Baie, Ile du Milieu, Ile a l'Eau, Ile du Pic, and the Iles des Pirates, all lying in an arc between the Cambodian - South Vietnamese shoreline and the large island of Phu Quoc, which is under Vietnamese control. Disputes between the two countries over ownership of these islands, which were arbitrarily attached to Cambodia for administrative purposes under French colonial rule in 1939, have flared intermittently in recent years.

Cambodian Foreign Minister Son Sann, denying South Vietnam's right even to Phu Quoc, has stigmatized Saigon's note as "revealing the annexationist aims of Vietnam"; Prime Minister Sihanouk has called it another example of the "good will" illustrated in Thai occupation of a disputed border monastery and the Vietnamese "invasion" of Stung Treng Province in 1958.

Cambodia has maintained small garrisons on these islands since 1958, and Sihanouk has announced Cambodia will fight if necessary to retain them. In a recent speech he clearly implied he would turn to Peiping for assistance if hard pressed.

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The furor over the Vietnamese note, allegedly intended only to reiterate Vietnamese claims "for the record" before the Law of the Sea Conference in Geneva, may prevent or make useless the impending visit to Phnom Penh by a South Vietnamese ministerial delegation headed by Vice President Tho for the purpose of ironing out long-standing problems between the two countries.

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The Secretary of the Treasury

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The Secretary of State

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